

VETERANS' COMPENSATION COST-OF-LIVING  
ADJUSTMENT ACT OF 1996

---

JUNE 27, 1996.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

---

Mr. STUMP, from the Committee on Veterans' Affairs,  
submitted the following

R E P O R T

[To accompany H.R. 3458]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 3458) to increase, effective as of December 1, 1996, the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

INTRODUCTION

On May 15, 1996, the Chairman and Ranking Member of the Subcommittee on Compensation, Pension, Insurance and Memorial Affairs, the Honorable Terry Everett and the Honorable Lane Evans, along with the Chairman and Ranking Member of the Veterans' Affairs Committee, the Honorable Bob Stump and the Honorable G.V. (Sonny) Montgomery, introduced H.R. 3458, which would provide a cost-of-living adjustment (COLA) in the rates of service-connected disability compensation and dependency and indemnity compensation (DIC), effective December 1, 1996.

On May 22, 1996, the Subcommittee on Compensation, Pension, Insurance and Memorial Affairs met and ordered H.R. 3458 reported favorably to the full Committee by unanimous voice vote.

On June 20, 1996, the full Committee met and ordered H.R. 3458 reported to the House by unanimous voice vote.

## SUMMARY OF THE REPORTED BILL

H.R. 3458 would:

Increase, effective December 1, 1996, the rates of compensation for service-connected disabilities and the rates of dependency and indemnity compensation for surviving spouses and children of veterans who die of service-connected causes, the additional amounts for dependents and survivors, and the clothing allowances for certain veterans. The amount of increase would be the same as increases automatically provided to Social Security beneficiaries.

BACKGROUND OF THE COMPENSATION AND DEPENDENCY AND  
INDEMNITY COMPENSATION PROGRAMS

There were 2.2 million veterans receiving disability compensation as of May 1996. The Department of Veterans Affairs expects expenditures for disability compensation to be more than \$15 billion for fiscal year 1997. The basic purpose of the disability compensation program is to provide a measure of relief from the impaired earning capacity of veterans disabled as the result of their military service. The amount of compensation payable varies according to the degree of disability, which, in turn, is required by law to represent, to the extent practicable, the average impairment in earning capacity resulting from such disability or combination of disabilities in civil occupations.

To be eligible to receive disability compensation, a veteran must have contracted a disease, suffered an injury which is not the result of willful misconduct, or aggravated an existing disease or injury in the line of duty during active duty service, and have been discharged under other than dishonorable conditions.

The responsibility for determining a veteran's entitlement to service connection for a disability rests solely with the Department of Veterans Affairs.

DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVORS OF  
VETERANS WHO HAVE DIED OF SERVICE-CONNECTED CAUSES

As of May 1996, there were 300,934 surviving spouses and children receiving dependency and indemnity compensation (DIC). The VA expects DIC expenditures of \$3 billion in fiscal year 1997. Widows and children of veterans who died of causes determined to be service-connected are entitled to receive monthly DIC.

The purpose of this benefit under chapter 13 of title 38 is to provide partial compensation to the appropriate survivors for the loss in financial support due to the service-connected death. Income and need are not factors in determining a surviving spouse's or child's entitlement since the Nation assumes, in part, the legal and moral obligation of the veteran to support the spouse and children.

In 1992, Congress reformed the manner in which payments of DIC are made. Under current law, for deaths occurring on and after January 1, 1993, a base rate of \$810 per month is payable to a surviving spouse. Such amount is increased by \$177 if the veteran suffered from a service-connected disability which was rated as totally disabling for a period of eight years immediately preceding death and if the veteran and surviving spouse were continuously married during that period. For service-related deaths occur-

ring prior to January 1, 1993, payments of DIC are made on the basis of the veteran's military pay grade if that would result in a higher benefit level than under the new payment structure. Rates for these "grandfathered" surviving spouses range from \$837 for the surviving spouse of an E-7 to \$1,724 for the surviving spouse of an O-10. Surviving spouses are currently entitled to an additional \$200 per month for each child.

There is an additional allowance of \$205 monthly which is payable to eligible surviving spouses who are patients in a nursing home or who are in need of the regular aid and attendance of another person.

If there is no surviving spouse receiving dependency and indemnity compensation benefits but there is a surviving child, the child is entitled to \$336 monthly with additional benefits for other children with certain limits due to age, disability, and status as a student.

#### HISTORY OF COST-OF-LIVING INCREASES

The Committee annually reviews the service-connected disability compensation and DIC programs to ensure that the benefits provide reasonable and adequate compensation for disabled veterans and their families. Based on this review, the Congress acts annually to provide a cost-of-living adjustment (COLA) in compensation and DIC benefits. The Congress has provided annual increases in these rates for every fiscal year since 1976.

#### DISCUSSION OF THE REPORTED BILL

##### COST-OF-LIVING ADJUSTMENT IN RATES OF COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

H.R. 3458 would direct the VA to compute and provide increases in the monthly rates of compensation and DIC, effective December 1, 1996. The rates would be increased by the same percentage as the Social Security COLA that will take effect on that date. If the increase does not result in a whole dollar amount, it shall be rounded down to the next lower whole dollar amount. The bill would provide a full COLA for both old- and new-law DIC recipients.

The Administration's proposed fiscal year 1997 budget request, submitted on March 18, 1996, recommended a 2.8 percent rate increase be given to all compensation beneficiaries, including DIC spouses and children, effective December 1, 1996. This is the expected increase in the Consumer Price Index.

The Committee is following its recent practice of setting the COLA by reference to the yet to be determined Social Security increase.

#### SECTION-BY-SECTION ANALYSIS

Section 1 would be cited as the "Veterans' Compensation Cost-of-Living Adjustment Act of 1996".

Section 2(a) would authorize the Secretary of Veterans Affairs to increase, effective December 1, 1996, the dollar amounts in effect

for the payment of disability compensation and dependency and indemnity compensation.

Section 2(b) would specify the programs to receive increased dollar amounts: compensation, additional compensation for dependents, clothing allowance, new DIC rates, old DIC rates, additional DIC for surviving spouses with minor children, additional DIC for disability, and DIC for dependent children.

Section 2(c)(1) would increase the dollar amounts for those specified in subsection (b) based on the amount in effect on November 30, 1996, and specify that each amount shall be increased by the same percentage by which benefits are paid under title II of the Social Security Act (42 U.S.C.).

Section 2(c)(2) would round down to the next lower dollar amount all compensation and DIC benefits, when the amount is not a whole dollar amount.

Section 2(d) would provide a special rule authorizing the Secretary of Veterans Affairs to adjust administratively, consistent with the increases made under subsection (a), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 850857, who are not in receipt of compensation payable pursuant to chapter 11 of title 38, U.S.C.

Section 3 would require the Secretary of Veterans Affairs to publish in the Federal Register the amounts specified in section 2(b), as increased pursuant to section 2.

#### OVERSIGHT FINDINGS

No oversight findings have been submitted to the Committee by the Committee on Government Reform and Oversight.

#### CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

The following letter was received from the Congressional Budget Office concerning the cost of the reported bill:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 20, 1996.*

Hon. BOB STUMP,  
*Chairman, Committee on Veterans' Affairs,*  
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3458, the Veterans' Compensation Cost-of-Living Adjustment Act of 1996, as ordered reported by the House Committee on Veterans' Affairs on June 20, 1996.

The bill would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL,  
*Director.*

Attachment

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3458
2. Bill title: Veterans' Compensation Cost-of-Living Adjustment Act of 1996
3. Bill status: As ordered reported by the House Committee on Veterans' Affairs on June 20, 1996.
4. Bill purpose: The bill would provide cost-of-living adjustments (COLAs) in 1997 for veterans with service-connected disabilities and for survivors of certain disabled veterans. The COLAs would be rounded to the next lower dollar.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
<b>DIRECT SPENDING</b>							
Spending under current law:							
Estimated budget authority .....	14,979	15,211	15,511	15,805	16,067	16,335	16,606
Estimated outlays .....	13,794	15,222	15,451	15,780	17,198	15,161	16,583
Proposed changes:							
Estimated budget authority .....	0	-21	-25	-25	-26	-27	-29
Estimated outlays .....	0	-19	-24	-25	-28	-25	-28
Spending under proposals:							
Estimated budget authority .....	14,979	15,190	15,486	15,780	16,041	16,308	16,577
Estimated outlays .....	13,794	15,203	15,427	15,755	17,170	15,136	16,555

6. Basis of estimate: As specified in the Balanced Budget Act, the baseline assumes that monthly rates of disability compensation paid to veterans and of dependency and indemnity compensation (DIC) paid to their survivors are increased by the same COLA payable to Social Security recipients, and the results of the adjustments are rounded to the nearest dollar. This bill would round 1997 adjustments down to the next lower dollar. The effect of rounding down the benefit was estimated using the current table of monthly benefits and the numbers of beneficiaries assumed in the baseline

7. Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. The bill would have the following pay-as-you-go impact:

[By fiscal years, in millions of dollars]

	1996	1997	1998
Change in outlays .....	0	-19	-24
Change in receipts .....	Not applicable		

8. Estimated cost to State, local, and tribal governments: H.R. 3458 contains no intergovernmental mandates as defined by Public Law 104-4 and would not affect the budgets of State, local, or tribal governments.

9. Estimated impact on the private sector: This bill would impose no new federal private-sector mandates, as defined in Public Law 104-4.

10. Previous CBO estimate: None.

11. Estimate prepared by:

Federal cost estimate: Mary Helen Petrus.

Impact on State, local, and tribal governments: Marc Nicole.

Impact on private sector: Ellen Breslin Davidson.

12. Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

INFLATIONARY IMPACT STATEMENT

The enactment of the reported bill would have no inflationary impact.

APPLICABILITY TO LEGISLATIVE BRANCH

The reported bill would not be applicable to the legislative branch under the Congressional Accountability Act, Public Law 104–1, because the bill would only affect certain Department of Veterans Affairs benefits recipients.

STATEMENT OF FEDERAL MANDATES

The reported bill would not establish a federal mandate under the Unfunded Mandates Reform Act, Public Law 104–4.

